6. Efforts to enact major tax cuts at the same time that the balanced budget amendment is being debated is the height of cynicism, especially the tax cuts that have been proposed in the Republican Contract with America. Those tax cuts would generate sizable revenue losses, especially in the out years, making what will already be an extraordinarily difficult task of substantial deficit reduction (let alone a balanced budget) in seven years virtually impossible without almost a near dismantling of government programs except for social security and national defense. This is the height of cynicism, as well as horrendously bad social and economic policy.

It is also important to remember that the Federal budget, by its sheer size, and because of its role as a stabilization tool, should not be considered in the same way as an individual state or local government.

HOW TO CUT THE DEFICIT

While additional long term deficit reduction is thus essential, this must be balanced with two other objectives. First, it is important that we do not further undermine the use of fiscal policy as a stabilization tool. In particular, it would be counterproductive to cut the deficit so quickly that we would dramatically weaken the economy when it is already operating below full employment. Second, we need to reduce future deficits in a manner that would not make it more difficult for us to deal with our other critical budget problem, mainly reorienting our priorities away from consumption and more toward public investment and other expenditures that are needed to support long term economic growth.

I suggest the following approaches an alternative to a balanced budget amendment.

1. Unfortunately, there is no precise rule of thumb or model simulation which can give us the optimum path for future deficit reduction. In my view, an appropriate objective would be to cut the $400 billion deficit now projected by CBO for 2004 in half—this would suggest that over the next 10 years the nominal deficit would be roughly flat, implying a gradual decline in the deficit in real terms, in the deficit as a share of GDP, and even more importantly, in the debt to GDP ratio. Such a target would imply putting in place approximately $15–20 billion per year of budget restraint for each year over the ten year period—in my judgment, with the safeguards I will list below, I think this is doable and will not create too much fiscal drag on the economy.

2. Spending cuts should be the top priority. In view of the large cuts in non-defense discretionary programs in the 1980s, and given the need to increase spending in some of these areas, it is unlikely that huge savings will be realized from this sector of the budget. Thus, spending cuts must come from additional reductions in military spending, from an effective health care cost control program, and from slowing the enormous growth in the entitlements, especially the pension and health programs. I would suggest that the concept of entitlements is no longer something that this country can afford. All of the so-called entitlement programs must be slowly converted to means testing, either by scaling back benefits for upper income and high wealth individuals and/or by increasing taxes on those benefits. We should reduce (not eliminate) benefits for those who could do with less—households and individuals with modest means should be spared. Furthermore, consideration should be given to further extending the retirement age for full benefits. Scaling back of health and pension benefits should not apply only to entitlement programs—public employees are now receiving extremely generous benefits which are no longer affordable. Finally, I would suggest that any reductions in social security benefits partly be earmarked for investments to build for our future, especially for education and other programs which benefit primarily younger people. In effect, we would be reducing benefits for the elderly to be used to make a better life for their children and grandchildren.

3. Deficit reduction must be fair. In particular, it is now well documented that most of the benefit of the tax cuts of the 1980s went to those in the upper income groups—in the meantime, large social security tax increases and budget cuts have significantly reduced after-tax incomes for many low and middle income families. This has only been partly reversed in the 1993 budget package. Thus, it is important that deficit reduction be structured in a way that the impact is greatest on those who can afford it. Many will make the argument that increases in taxes on upper income individuals will create huge disincentives for savings and investment and thus would be counterproductive—however, as we learned in the 1980s, these arguments are exaggerated. Furthermore, the economy can not function effectively when a large and increasing share of purchasing power and wealth is concentrated in relatively few hands—this holds down demand and thus will prevent long term growth.

4. The arithmetic is very clear—even with the phasing-in of entitlement reform and some additional cuts in defense and non-defense discretionary programs, some tax increases (not tax cuts) will be needed in order to reduce deficits to acceptable levels. The assertion that the problem is not on the revenue side because tax revenues have actually increased as a result of the tax cuts of the early 1980s is inaccurate. Both personal and corporate income tax collections as a share of income and profits, respectively, are below where they were a decade ago—total tax revenues are roughly at the same ratio of GDP as they were prior to the enactment of the supply-side program primarily because of the big increase in Social Security taxes enacted in the mid-1980s, and because of other tax increases enacted along the way.

In my view, increased revenues should come first from eliminating counterproductive tax expenditures (incentives, exemptions, etc.) now in place, and then secondly, if more revenues are needed, from increasing taxes in a progressive manner on activities that we want to consume less of. Thus, broadening the tax base and consumption taxes should be considered before across the board tax increases. In the former category, some candidates are the following: eliminating or scaling back the interest deduction on mergers and acquisitions; scaling back the deduction for corporate advertising expenses and/or for corporate entertainment; a lower limit on the mortgage interest deduction than is now in place; taxation of a portion of corporate health care insurance premiums (this may also be helpful in controlling health care costs).

5. Most importantly, I believe that to the extent possible, a multi-year program designed to bring about the amount of deficit reduction described above should be adopted as soon as possible. This would be desirable for several reasons. First, it would avoid having to go through the torturous process on an annual basis—the medicine can all be taken at once. Second, and more importantly, one way to reduce the effect of fiscal drag on economic growth is to bring interest rates down as quickly as possible, especially long term rates—this can be best accomplished if the markets believe that a credible program to reduce future deficits is in place. While easier Federal Reserve policy can also help, the Federal Reserve has lost most of its control over long term interest rates. Convincing the markets that the federal demand for credit will be dramatically reduced in the future will be a more effective way to bring down long term interest rates than an easier monetary policy.

6. It is possible to design a multi-year deficit reduction program that can allow some flexibility to deal with emergencies and recessions. This will prevent fiscal policy from worsening economic downturns. If these exceptions are truly limited, they are not likely to undermine the credibility of the long term program. I suggest that the deficit reduction program be accompanied with an ''escape clause'' in the form of a minimum level of GDP or employment growth, or a threshold unemployment rate, beneath which future installments of deficit reduction will be delayed or scaled back in order not to create an even weaker economic environment. This is particularly important since the current level of economic activity is so low that the economy is likely to be underutilized for many years.

MORNING BUSINESS

Mr. HATCH. Mr. President, I ask unanimous consent that we now call up a period to transact morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT ON THE NATIONAL EMERGENCY WITH HAITI—MESSAGE FROM THE PRESIDENT—PM 8

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Banking, Housing, and Urban Affairs.

To the Congress of the United States:

1. In December 1990, the Haitian people elected Jean-Bertrand Aristide as their President by an overwhelming margin in a free and fair election. The United States praised Haiti's success in peacefully implementing its democratic constitutional system and provided significant political and economic support to the new government. The Haitian military abruptly interrupted the consolidation of Haiti's new democracy when, in September 1991, it

illegally and violently ousted President Aristide from office and drove him into exile.

2. The United States, on its own and with the Organization of American States [OSA], immediately imposed sanctions against the illegal regime. Upon the recommendation of the legitimate government of President Aristide and of the OAS, the United Nations Security Council imposed incrementally a universal embargo on Haiti, beginning June 16, 1993, with trade restrictions on certain strategic commodities. The United States actively supported the efforts of the OAS and the United Nations to restore democracy to Haiti and to bring about President Aristide's return by facilitating negotiations between the Haitian parties. The United States and the international community also offered material assistance within the context of an eventual negotiated settlement of the Haitian crisis to support the return to democracy, build constitutional structures, and foster economic well-being.

The continued defiance of the will of the international community by the illegal regime led to an intensification of bilateral and multilateral economic sanctions against Haiti in May 1994. The U.N. Security Council on May 6 adopted Resolution 917, imposing comprehensive trade sanctions and other measures on Haiti. This was followed by a succession of unilateral U.S. sanctions designed to isolate the illegal regime. To augment embargo enforcement, the United States and other countries entered into a cooperative endeavor with the Dominican Republic to monitor that country's enforcement of sanctions along its land border and in its coastal waters.

Defying coordinated international efforts, the illegal military regime in Haiti remained intransigent for some time. Internal repression continued to worsen, exemplified by the expulsion in July 1994 of the U.N./O.A.S.-sponsored International Civilian Mission [ICM] human rights observers. Responding to the threat to peace and security in the region, the U.N. Security Council passed Resolution 940 on July 31, 1994, authorizing the formation of a multinational force to use all necessary means to facilitate the departure from Haiti of the military leadership and the return of legitimate authorities including President Aristide.

In the succeeding weeks, the international community under U.S. leadership assembled a multinational coalition force to carry out this mandate. At my request, former President Carter, Chairman of the Senate Armed Services Committee Sam Nunn, and former Chairman of the Joint Chiefs of Staff Colin Powell went to Haiti on September 16 to meet with the de facto Haitian leadership. The threat of imminent military intervention combined with determined diplomacy achieved agreement in Port-au-Prince on September 18 for the de facto leaders to relinquish power by October 15. United States forces in the vanguard of the multinational coalition force drawn from 26 countries began a peaceful deployment in Haiti on September 19 and the military leaders have since relinquished power.

In a spirit of reconciliation and reconstruction, on September 25 President Aristide called for the immediate easing of sanctions so that the work of rebuilding could begin. In response to this request, on September 26 in an address before the United Nations General Assembly, I announced my intention to suspend all unilateral sanctions against Haiti except those that affected the military leaders and their immediate supporters and families. On September 29, the U.N. Security Council adopted Resolution 944 terminating U.N.-imposed sanctions as of the day after President Aristide returned to Haiti.

On October 15, President Aristide returned to Haiti to assume his official responsibilities. Effective October 16, 1994, by Executive Order No. 12932 (59 Fed. Reg. 52403, October 14, 1994), I terminated the national emergency declared on October 4, 1991, in Executive Order No. 12775, along with all sanctions with respect to Haiti imposed in that Executive order, subsequent Executive orders, and the Department of the Treasury regulations to deal with that emergency. This termination does not affect compliance and enforcement actions involving prior transactions or violations of the sanctions.

3. This report is submitted to the Congress pursuant to 50 U.S.C. 1641(c) and 1703(c). It is not a report on all U.S. activities with respect to Haiti, but discusses only those Administration actions and expenses since my last report (October 13, 1994) that are directly related to the national emergency with respect to Haiti declared in Executive Order No. 12775, as implemented pursuant to that order and Executive Orders Nos. 12779, 12853, 12872, 12914, 12917, 12920, and 12922.

4. The Department of the Treasury's Office of Foreign Assets Control [FAC] amended the Haitian Transactions Regulations, 31 C.F.R. Part 580 (the "HTR") on December 27, 1994 (59 Fed. Reg. 66476, December 27, 1994), to add section 580.524, indicating the termination of sanctions pursuant to Executive Order No. 12932, effective October 16, 1994. The effect of this amendment is to authorize all transactions previously prohibited by subpart B of the HTR or by the previously stated Executive orders. Reports due under general or specific license must still be filed with FAC covering activities up until the effective date of this termination. Enforcement actions with respect to past violations of the sanctions are not affected by the termination of sanctions. A copy of the FAC amendment is attached.

5. The total expenses incurred by the Federal Government during the period of the national emergency with respect to Haiti from October 4, 1991, through October 15, 1994, that are directly attributable to the authorities conferred by the declaration of a national emergency with respect to Haiti are estimated to be approximately $6.2 million, most of which represent wage and salary costs for Federal personnel. This estimate has been revised downward substantially from the sum of estimates previously reported in order to eliminate certain previously reported costs incurred with respect to Haiti, but not directly attributable to the exercise of powers and authorities conferred by the declaration of the terminated national emergency with respect to Haiti.

Thus, with the termination of sanctions, this is the last periodic report that will be submitted pursuant to 50 U.S.C. 1703(c) and also constitutes the last semiannual report and final report on Administration expenditures required pursuant to 50 U.S.C. 1641(c).

WILLIAM J. CLINTON.

THE WHITE HOUSE, *February 3, 1995.*

REPORT OF A PROCLAMATION TO AMEND THE GENERALIZED SYSTEM OF PREFERENCES—MESSAGE FROM THE PRESIDENT—PM 9

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Finance.

To the Congress of the United States:

The Generalized System of Preferences [GSP] program offers duty-free treatment to specified products that are imported from designated beneficiary countries. It is authorized by the Trade Act of 1974, as amended.

I am writing to inform you of my intent to add Armenia to the list of beneficiary developing countries for purposes of the GSP program. I have carefully considered the criteria identified in sections 501 and 502 of the Trade Act of 1974. In light of these criteria, I have determined that it is appropriate to extend GSP benefits to Armenia.

I am also writing to inform you of my decision to terminate the designation of The Bahamas and the designation of Israel as beneficiary developing countries for purposes of the GSP program. Pursuant to section 504(f) of the Trade Act of 1974, I have determined that the per capita gross national products of The Bahamas and of Israel have exceeded the applicable limit provided for in section 504(f). Accordingly, I have determined that it is appropriate to terminate the designation of The Bahamas and Israel as GSP beneficiaries.

This notice is submitted in accordance with sections 502(a)(1) and 502(a)(2) of the Trade Act of 1974.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *February 3, 1995.*